

# Understanding the Supplemental Poverty Measure

Trudi Renwick, Ph.D.  
United States Census Bureau

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Empirical Approach II**

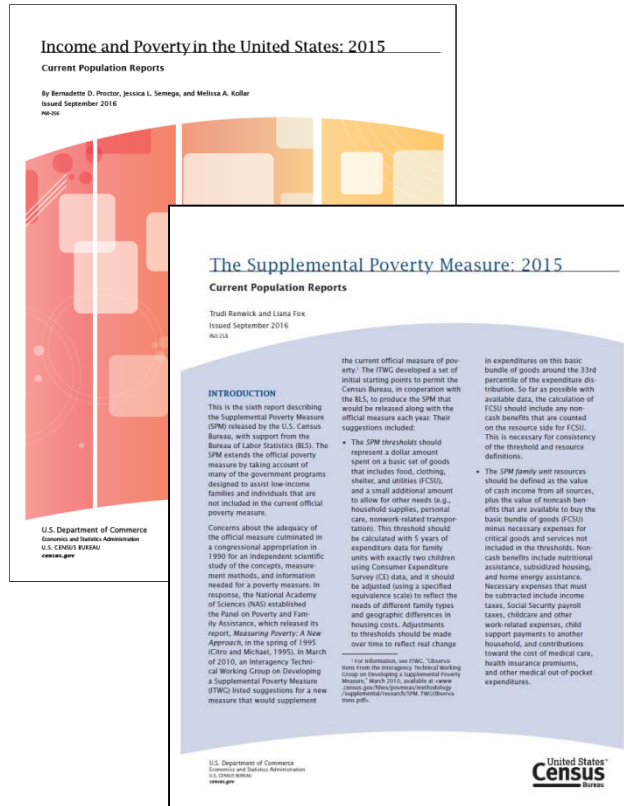
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# Official Poverty and Supplemental Poverty Estimates for 2015 released in September 2016

## Highlights

- The official poverty rate in 2015 was 13.5 percent, down 1.2 percentage points from 2014. In 2015, there were 43.1 million people in poverty, 3.5 million fewer than in 2014.
- The Supplemental Poverty Measure (SPM) rate in 2015 was 14.3 percent, 1 percentage point lower than the SPM estimate for 2014.



# Poverty: The History of a Measure



President Lyndon Johnson declares War on Poverty, January 1964.



The Office of Economic Opportunity adopts Mollie Orshansky's poverty thresholds as a working definition of poverty for statistical planning, May 1965.



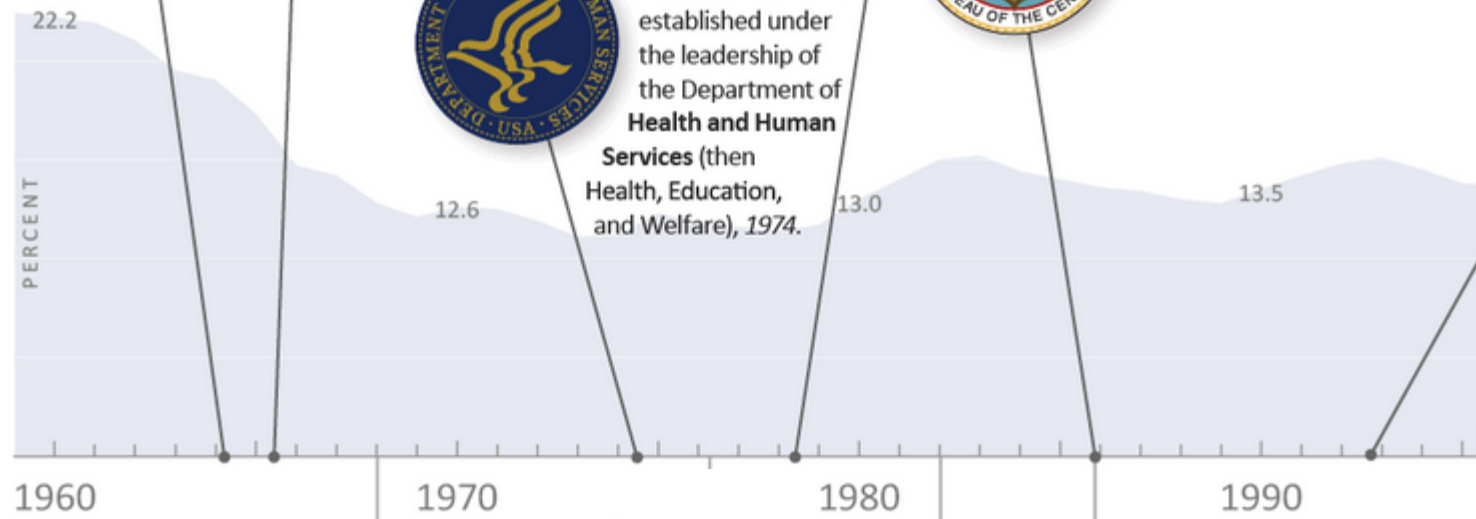
Office Of Management and Budget issues Statistical Policy Directive No. 14 specifying the definition of poverty for statistical purposes, May 1978.



The Census Bureau holds a conference in Williamsburg, Virginia, on the measurement of noncash benefits, December 1985.



An Interagency Poverty Studies Task Force is established under the leadership of the Department of Health and Human Services (then Health, Education, and Welfare), 1974.

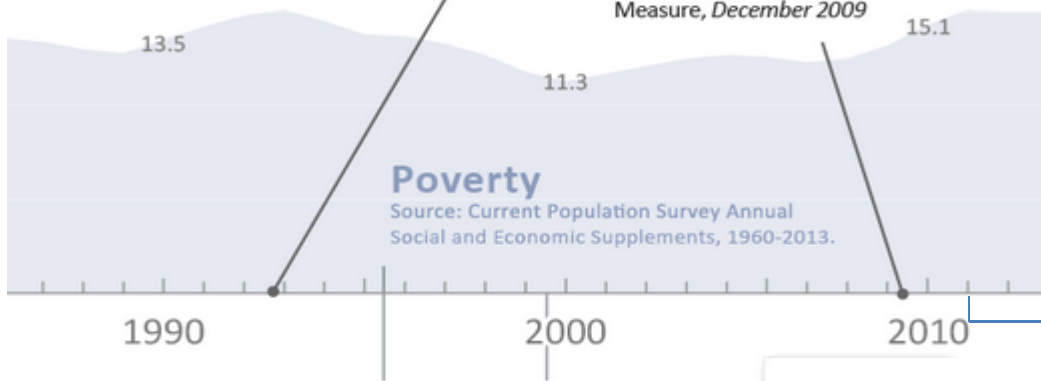


First Census Bureau Report on Poverty: 1967



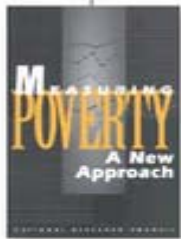
**National Academy of Sciences** convenes a panel of experts to conduct a study of statistical issues in the measurement and understanding of poverty, June 1992.

An **Interagency Technical Working Group on Developing a Supplemental Poverty Measure** is formed by Commerce Under Secretary Rebecca Blank and Office of Management and Budget Chief Statistician Katherine Wallman and charged with developing a set of initial starting points to permit the U.S. Census Bureau, in cooperation with the Bureau of Labor Statistics, to produce a Supplemental Poverty Measure, December 2009



## Poverty

Source: Current Population Survey Annual Social and Economic Supplements, 1960-2013.



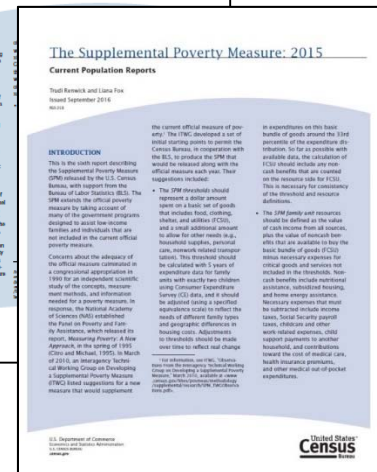
The Panel on Poverty and Family Assistance publishes a report proposing a new approach for measuring poverty.

Constance F. Citro and Robert T. Michael (editors), Measuring

Poverty: A New Approach, Washington, D.C., National Academy Press, 1995.

The Census Bureau issues the first report on experimental poverty measures responding to the NAS report.

Kathleen Short, Thesia Garner, David Johnson, and Patricia Doyle, Experimental Poverty Measures: 1990 to 1997, U.S. Census

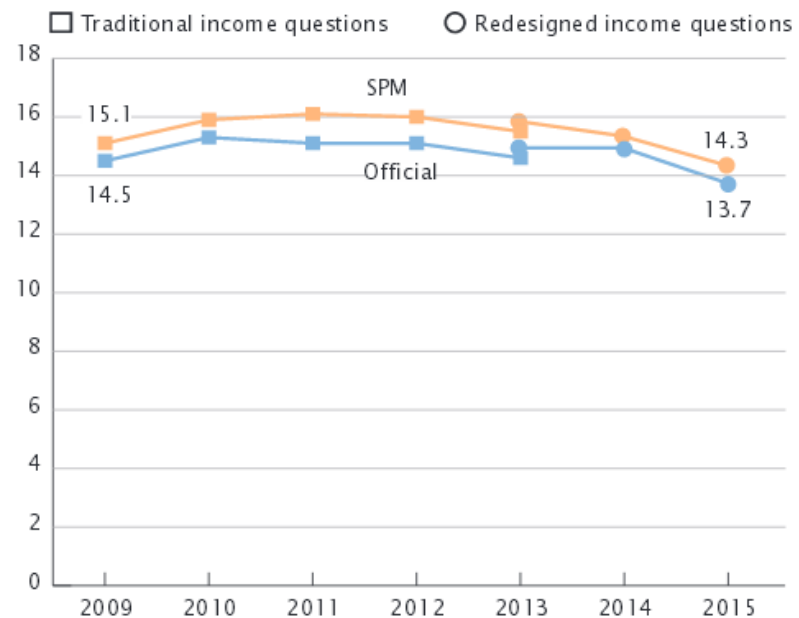


# Supplemental Poverty Measure (SPM)

## Observations from the Interagency Technical Working Group (ITWG) - March 2, 2010

- Will not replace the official poverty measure
- Will not be used for resource allocation or program eligibility
- Census Bureau and BLS responsible for improving and updating the measure
- Continued research and improvement
- Based on National Academy of Sciences expert panel recommendations in *Measuring Poverty: A New Approach* (Citro and Michael, 1995)

Figure 5.  
**Poverty Rates Using the Official Measure and the SPM: 2009 to 2015**



Note: The data for 2013 and beyond reflect the implementation of the redesigned income questions.  
Source: U.S. Census Bureau, Current Population Survey, 2016 Annual Social and Economic Supplement.

# Criticisms of the Official Poverty Measure

- The official measure does not account for:
  - Provision of in-kind benefits
  - Necessary expenses (taxes, health care, work)
  - Changes in family or household structure
  - Higher standards and levels of living since 1965
  - Geographic price differences among regions

## Poverty Measure Concepts: Official vs Supplemental Poverty Measure

	Official	SPM
Measurement units	Family only	OPM plus unmarried partners, unrelated children and foster children
Poverty threshold	3 times minimally adequate food diet in 1960s	30 <sup>th</sup> -36 <sup>th</sup> percentile of expenditures on food, clothing, shelter and utilities (+ 20%)
Threshold adjustments	Vary by family size, composition and age of householder	Geographic adjustments for differences in housing costs and equivalence scale for family size and comp. Three separate thresholds by housing status
Updating thresholds	Consumer Price Index (CPI-U)	Five year moving avg. of expenditures
Resource measure	Gross before-tax cash income	Sum of cash income, PLUS: in-kind benefits (SNAP, LIHEAP, WIC, Housing subsidies) MINUS: Taxes, child support paid, work expenses (including child care), medical out-of-pocket expenses

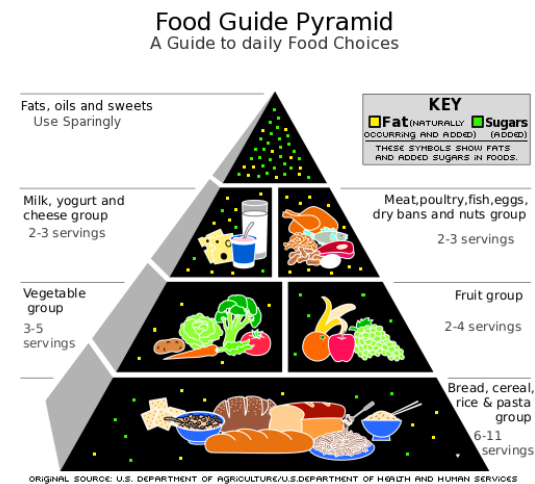


# How to Determine Poverty Status

## Resources



## Needs



- All family members have the same poverty status.
- For individuals who do not live with family members, their individual resources are compared with the appropriate threshold.

## What resources do people have to meet their needs?

What we count as available resources differs between the two poverty measures.

The official measure uses cash income, such as wages and salaries, Social Security benefits, interest, dividends, pension or other retirement income.



The SPM starts with cash income, then...

### ADDING BENEFITS

The SPM adds benefits from the government that are not cash but help families meet their basic needs.

### SUBTRACTING EXPENSES

The SPM subtracts necessary expenses like taxes, health care, commuting costs for all workers, and child care expenses while parents work.



## Are needs the same in New York and Mississippi?

**Poverty thresholds** for both measures are adjusted to reflect the needs of families of different types and sizes. Only the SPM thresholds take account of geographic differences in housing costs.

**Yes**, the official poverty threshold is the same throughout the United States. In 2012, the poverty threshold for a family with two adults and two children was \$23,283\*.

**No**, SPM thresholds vary based on several factors such as place of residence and whether it is a rental unit or purchased property or home with a mortgage. The map below shows the SPM thresholds for renters with two adults and two children in 2012.

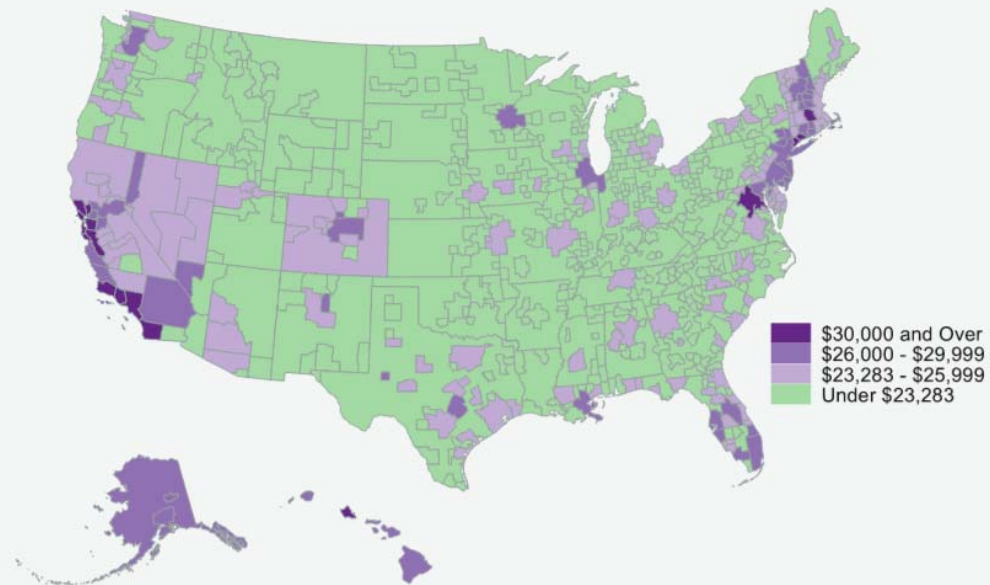
2012 Official Poverty Thresholds  
(Two Adults and Two Children)



Source: Dellavias-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith. Income, Poverty, and Health Insurance Coverage in the United States: 2012. U.S. Census Bureau, Current Population Reports, P60-245, U.S. Government Printing Office, Washington DC, September 2013.

\*Revised since first release on Jan. 7, 2014. Original number was \$22,283.

2012 SPM Poverty Thresholds for Renters  
(Two Adults and Two Children)



Sources: Geographic adjustments based on housing costs from the American Community Survey 2007-2011. Base thresholds are from the Bureau of Labor Statistics <[www.bls.gov/pir/spm/spm\\_thresholds\\_2012.htm](http://www.bls.gov/pir/spm/spm_thresholds_2012.htm)>.

# Example: Family of two adults, one child in metro Arizona.

## Official Poverty Measure

Official threshold	\$19,078.
Cash Income	\$20,000

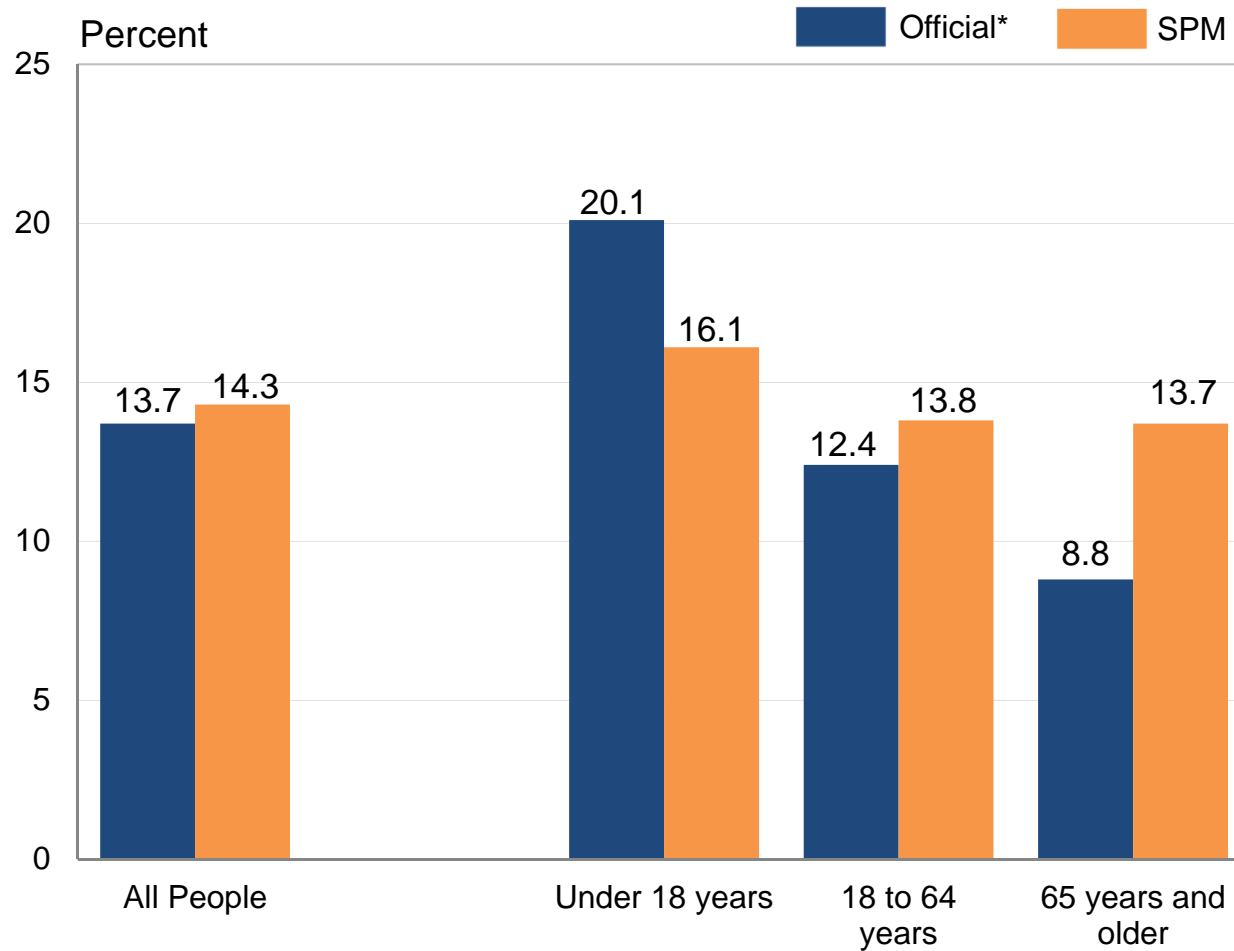
*Official: \$20,000 > \$19,078 so family is considered "above poverty level"*

## SPM

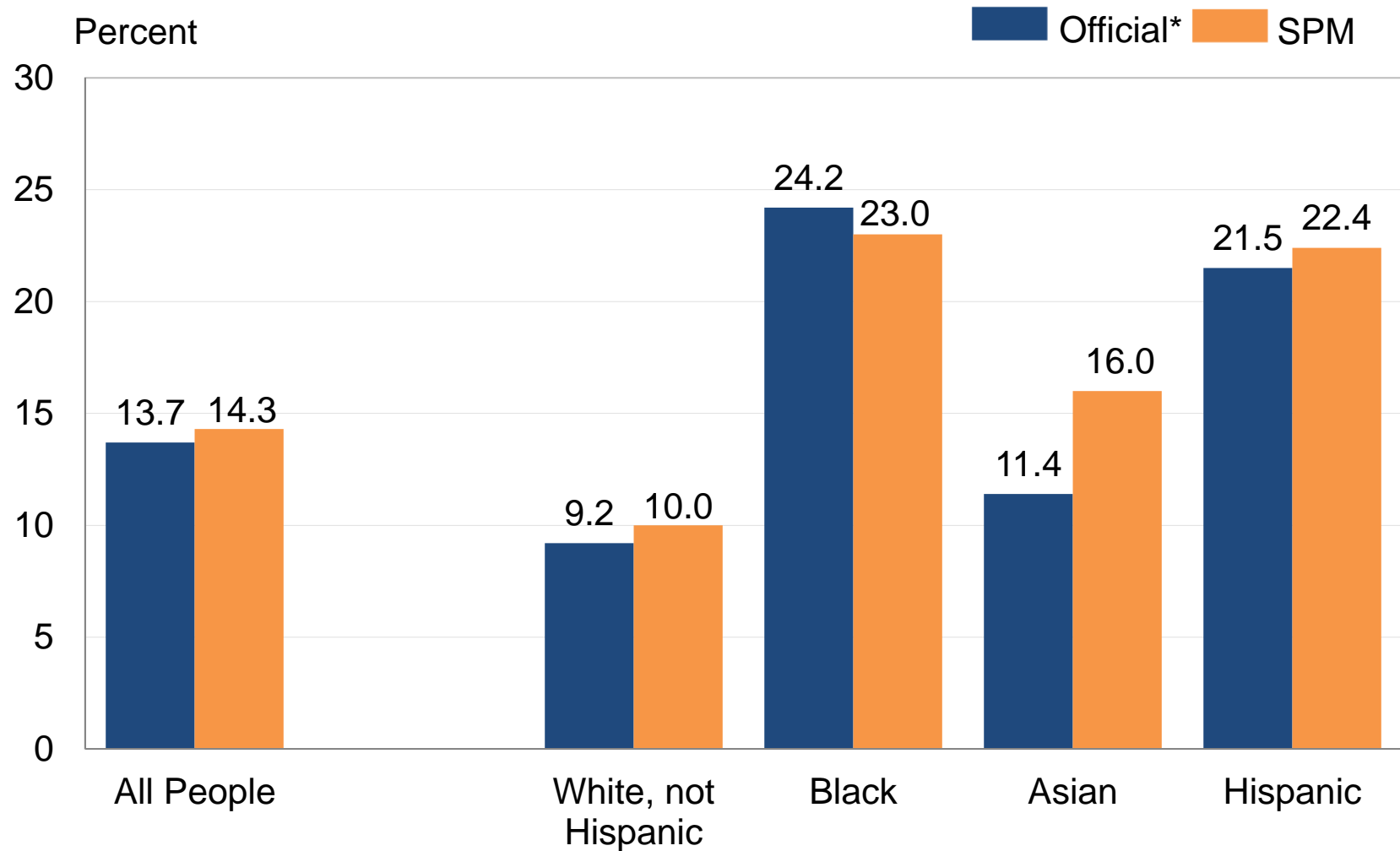
SPM Threshold	\$21,303
Cash Income	\$20,000
+ Tax credits	+1,701
+ WIC benefits	+1,038
- Work/Childcare	<u>- 2,463</u>
SPM Resources	\$20,276

*SPM: \$20,276 < \$21,303 so family is considered "in poverty"*

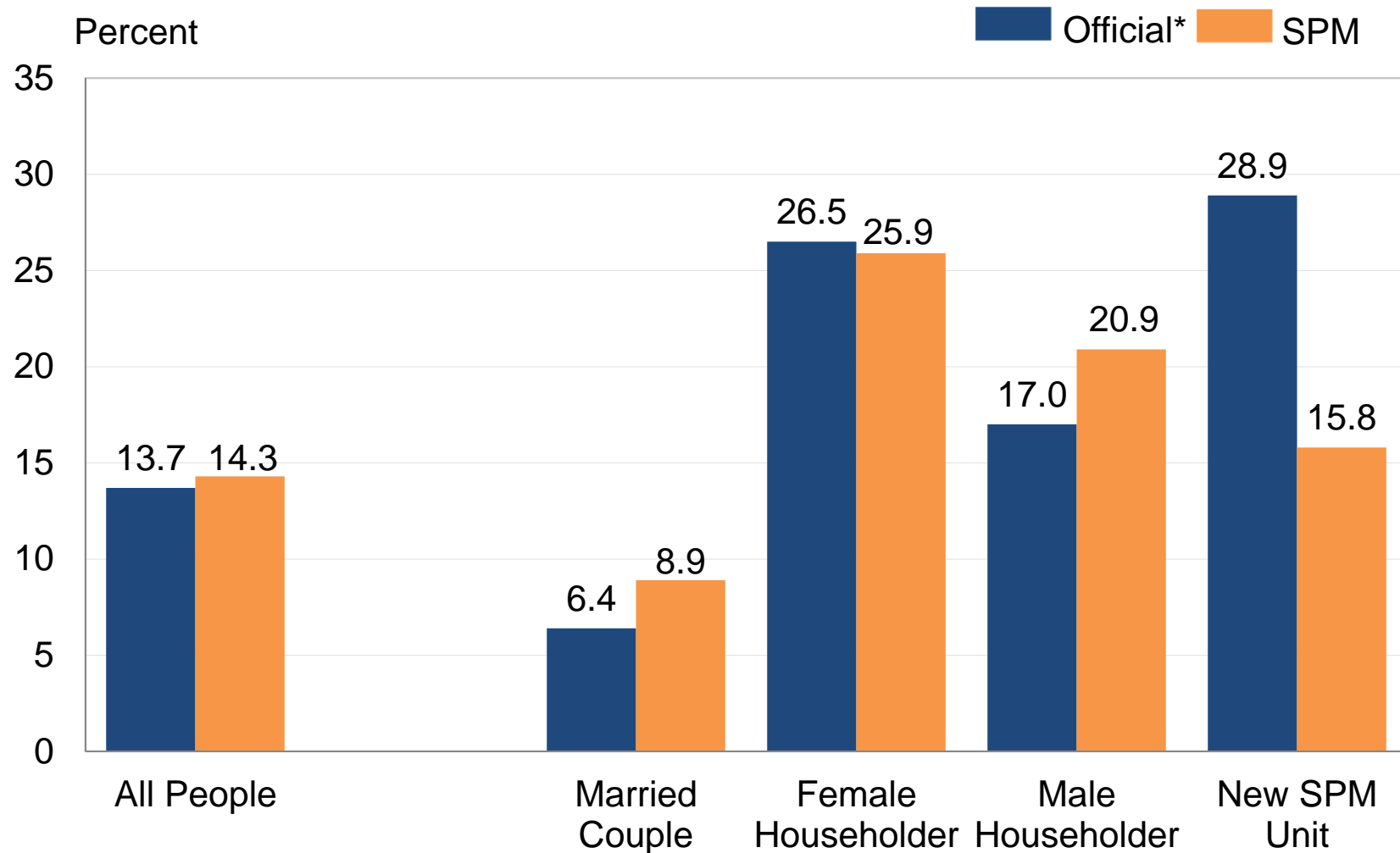
# Comparison of SPM and Official Poverty Estimates by Age: 2015



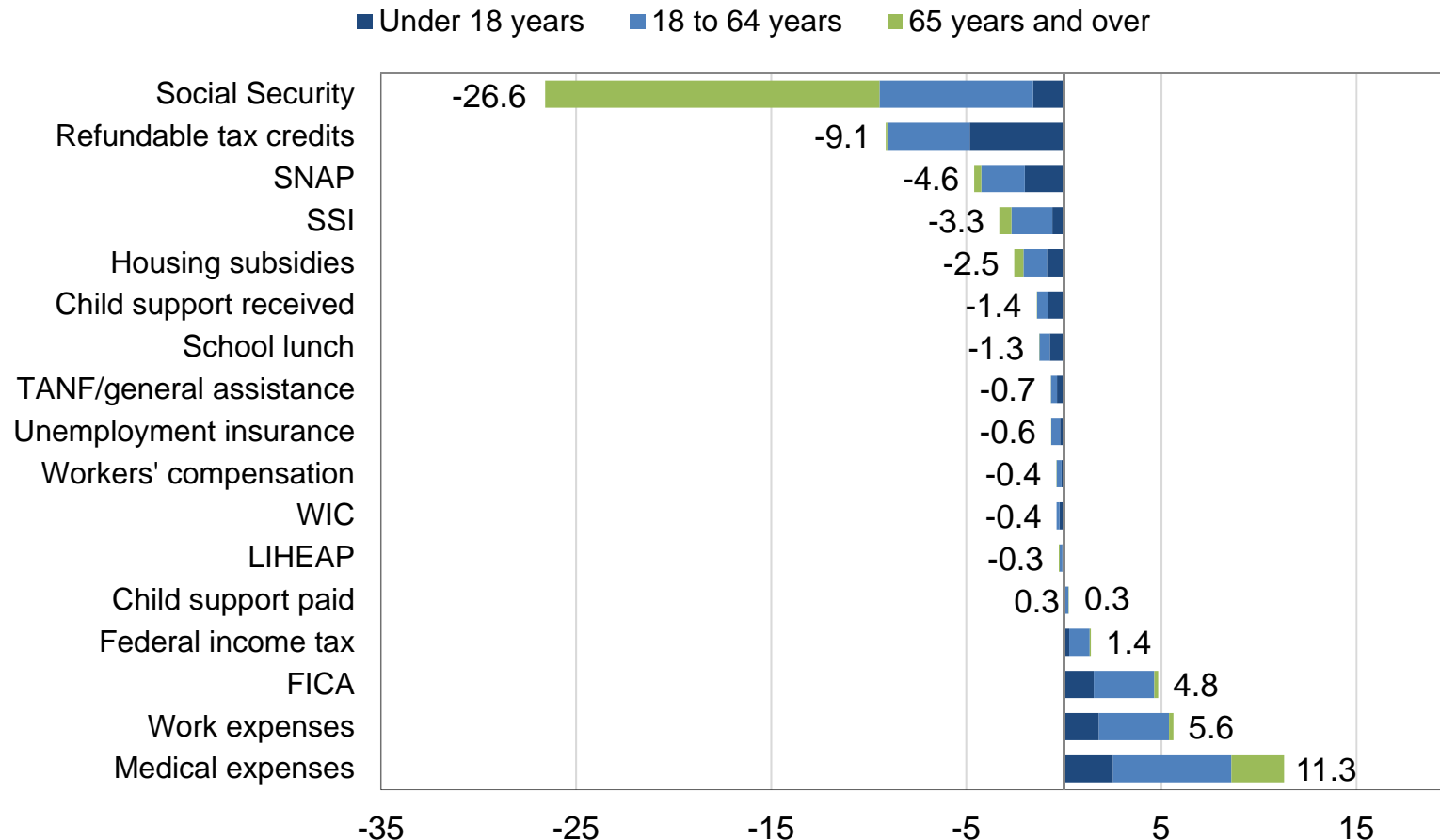
# Comparison of SPM and Official Poverty Estimates by Race and Hispanic Origin: 2015



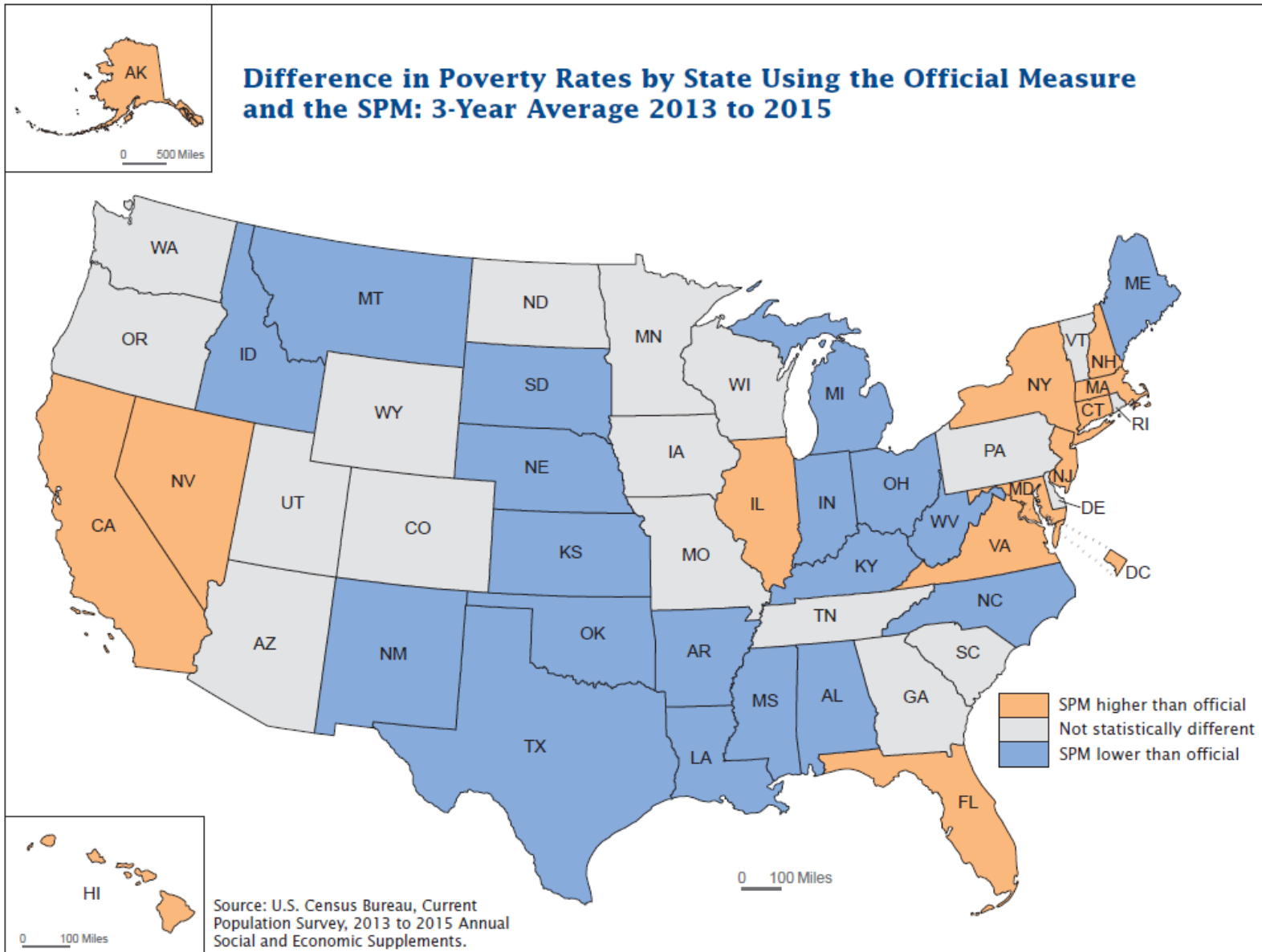
# Comparison of SPM and Official Poverty Estimates by Resource Unit Type: 2015



# Change in Number of People in Poverty After Including Each Element: 2015 (In millions)







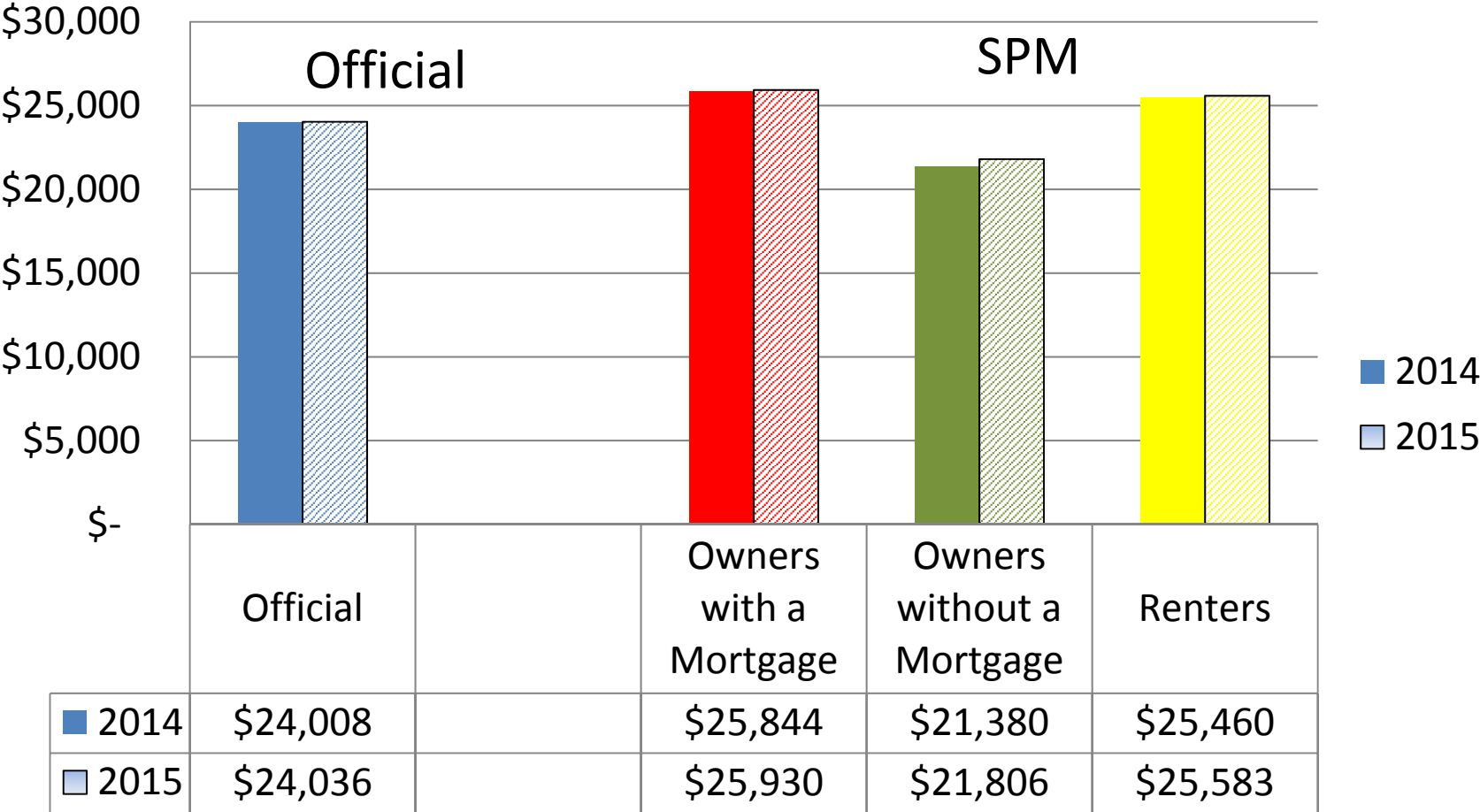
# Understanding the Supplemental Poverty Measure

- Trudi Renwick
  - [Trudi.j.renwick@census.gov](mailto:Trudi.j.renwick@census.gov)
  - 301-763-5133

<http://www.census.gov/hhes/povmeas/index.html>

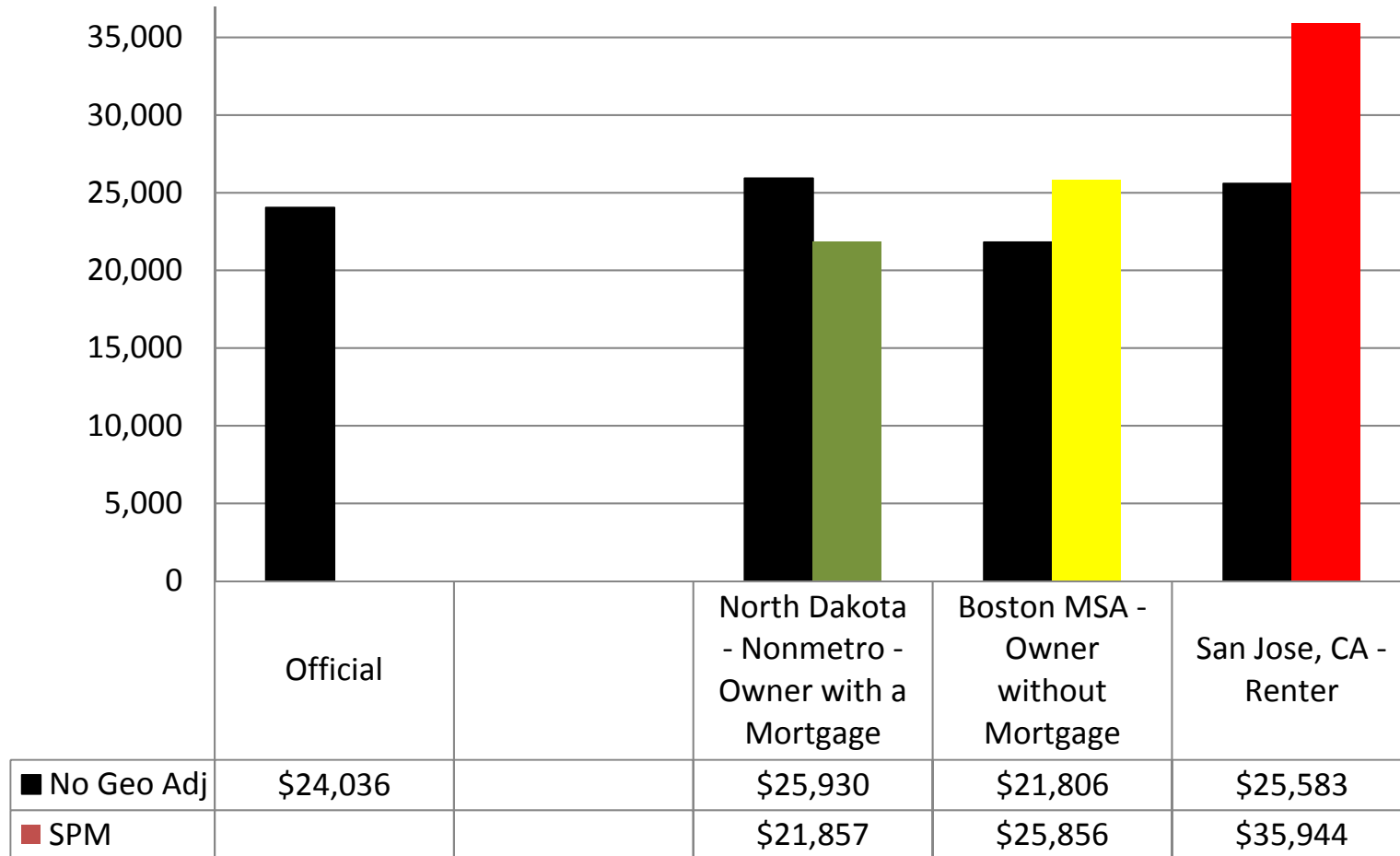
# EXTRA SLIDES

# Official and SPM Thresholds: 2014 and 2015

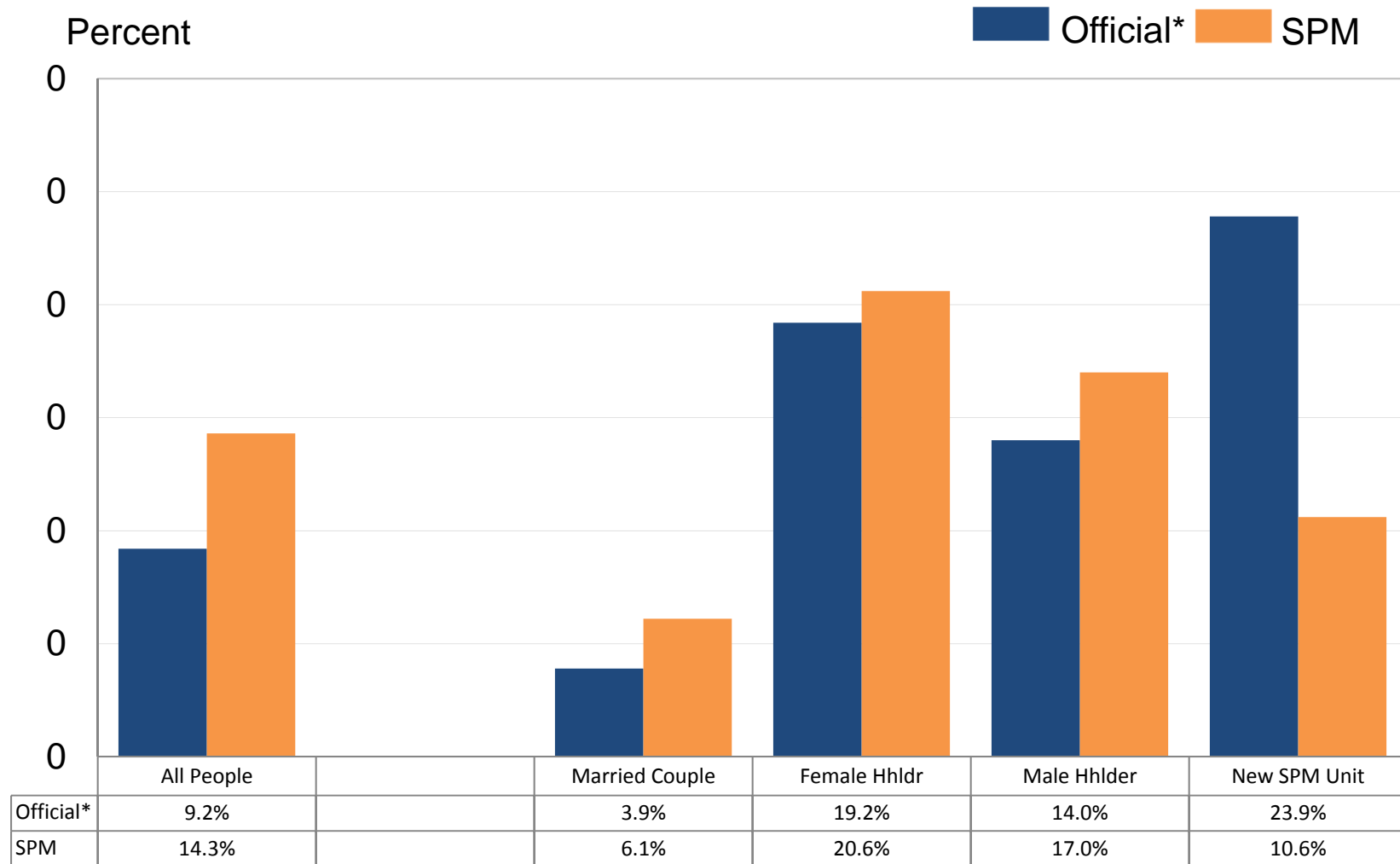


# Official and Research SPM Thresholds for Two Adult, Two Child Units with Geographic Adjustments: 2015

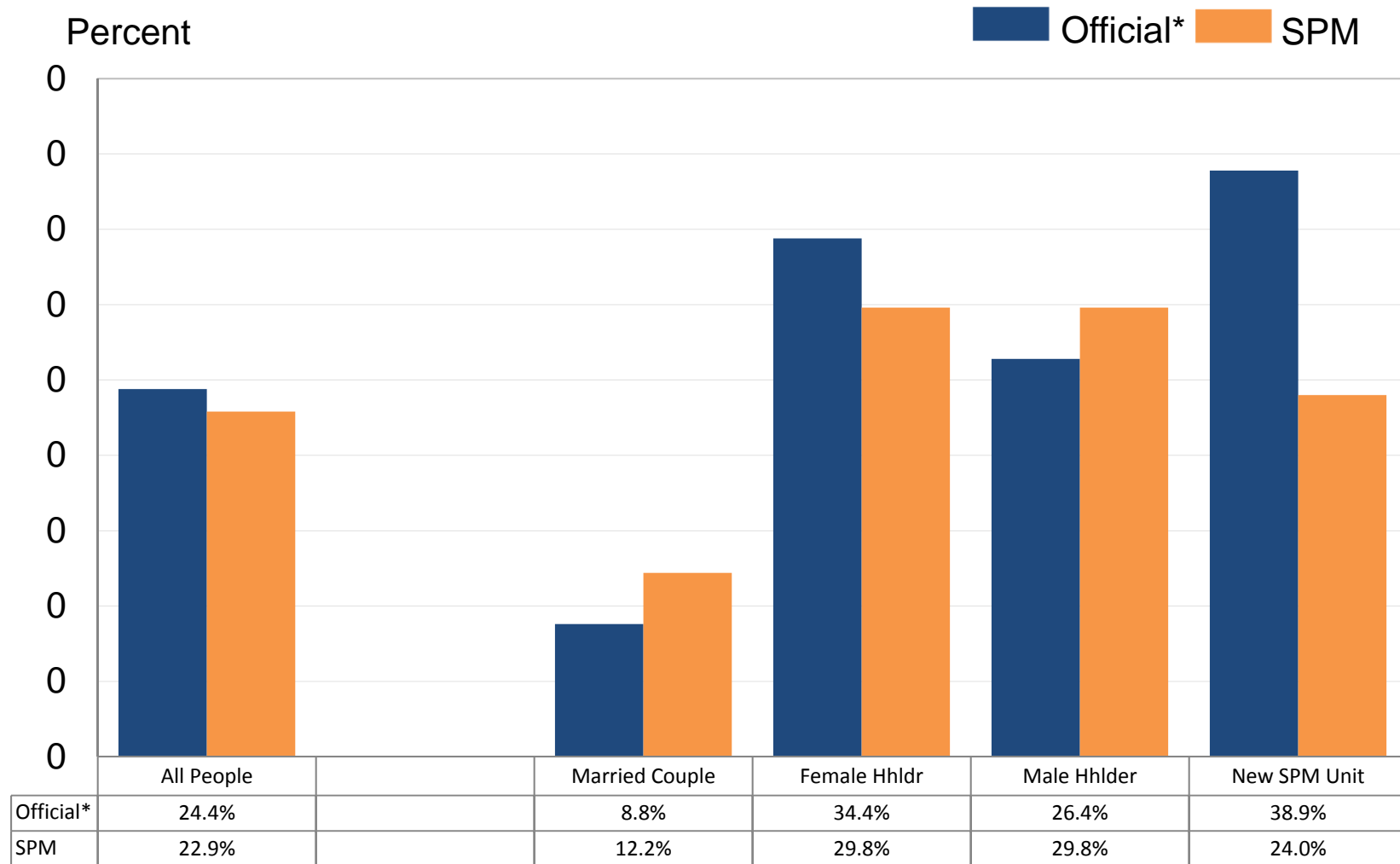
## *Supplemental Poverty Thresholds*



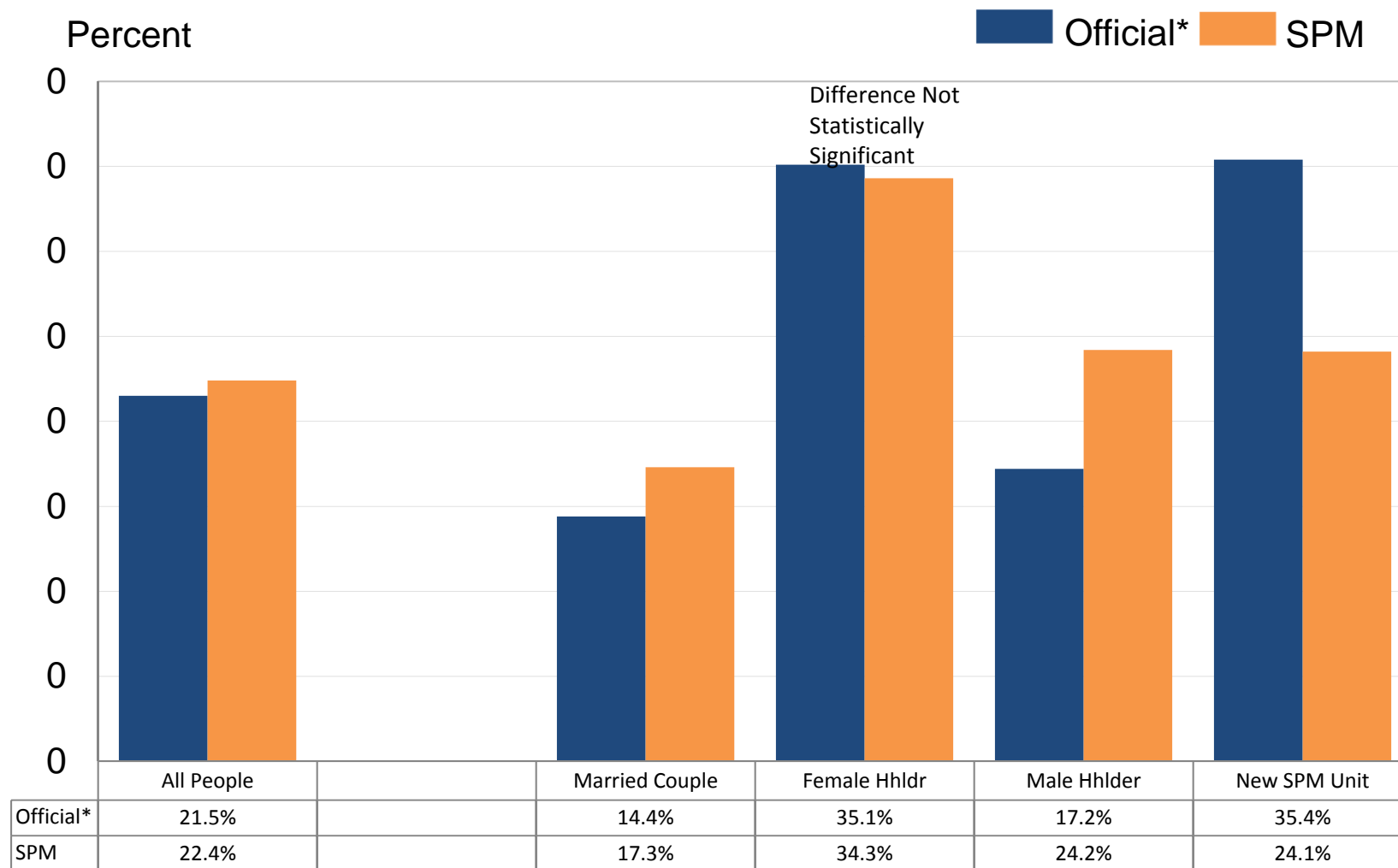
# Comparison of SPM and Official Poverty Estimates by Resource Unit Type: 2015, nonhispanic White



# Comparison of SPM and Official Poverty Estimates by Resource Unit Type: 2015, nonhispanic Black

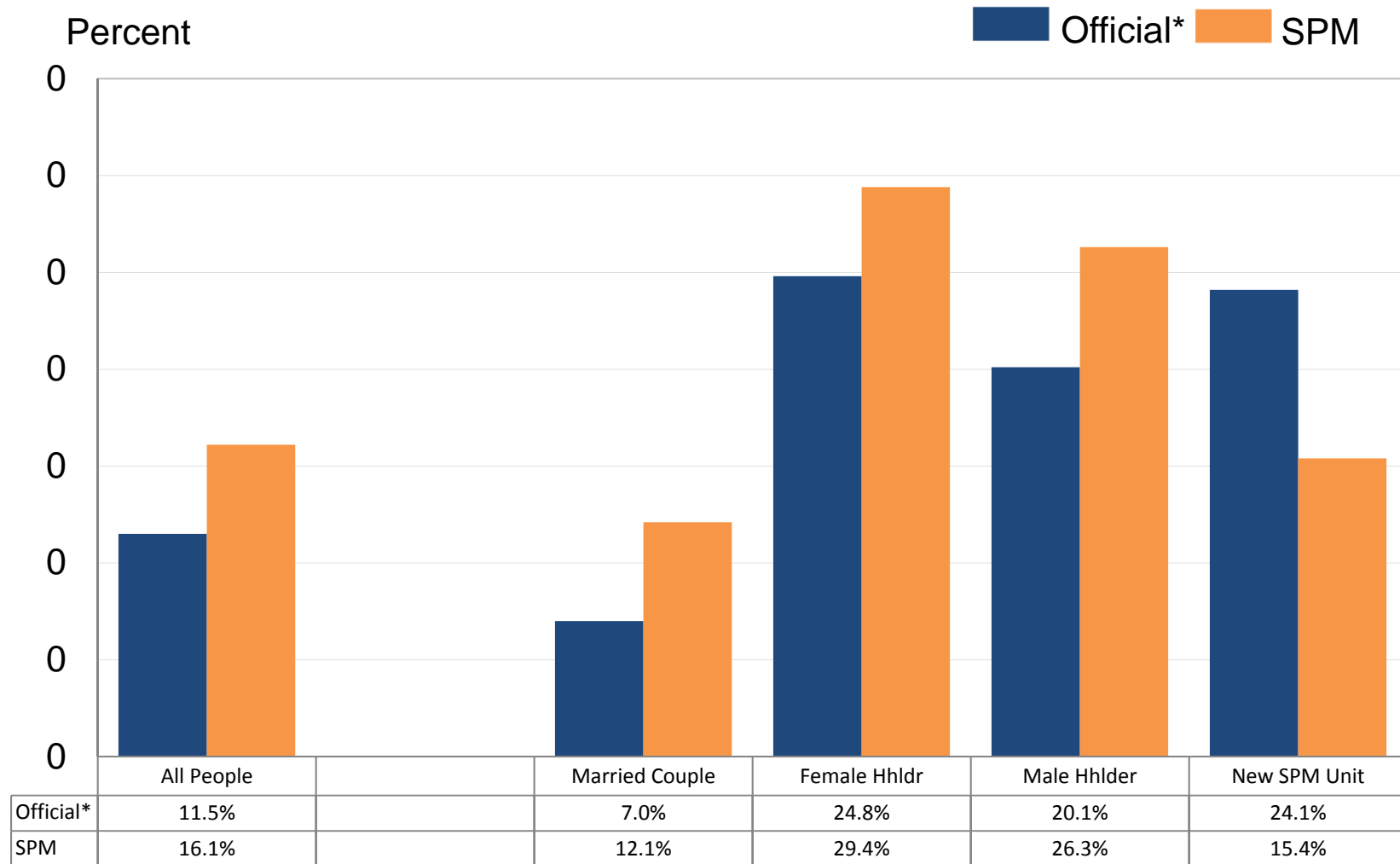


# Comparison of SPM and Official Poverty Estimates by Resource Unit Type: 2015, Hispanic

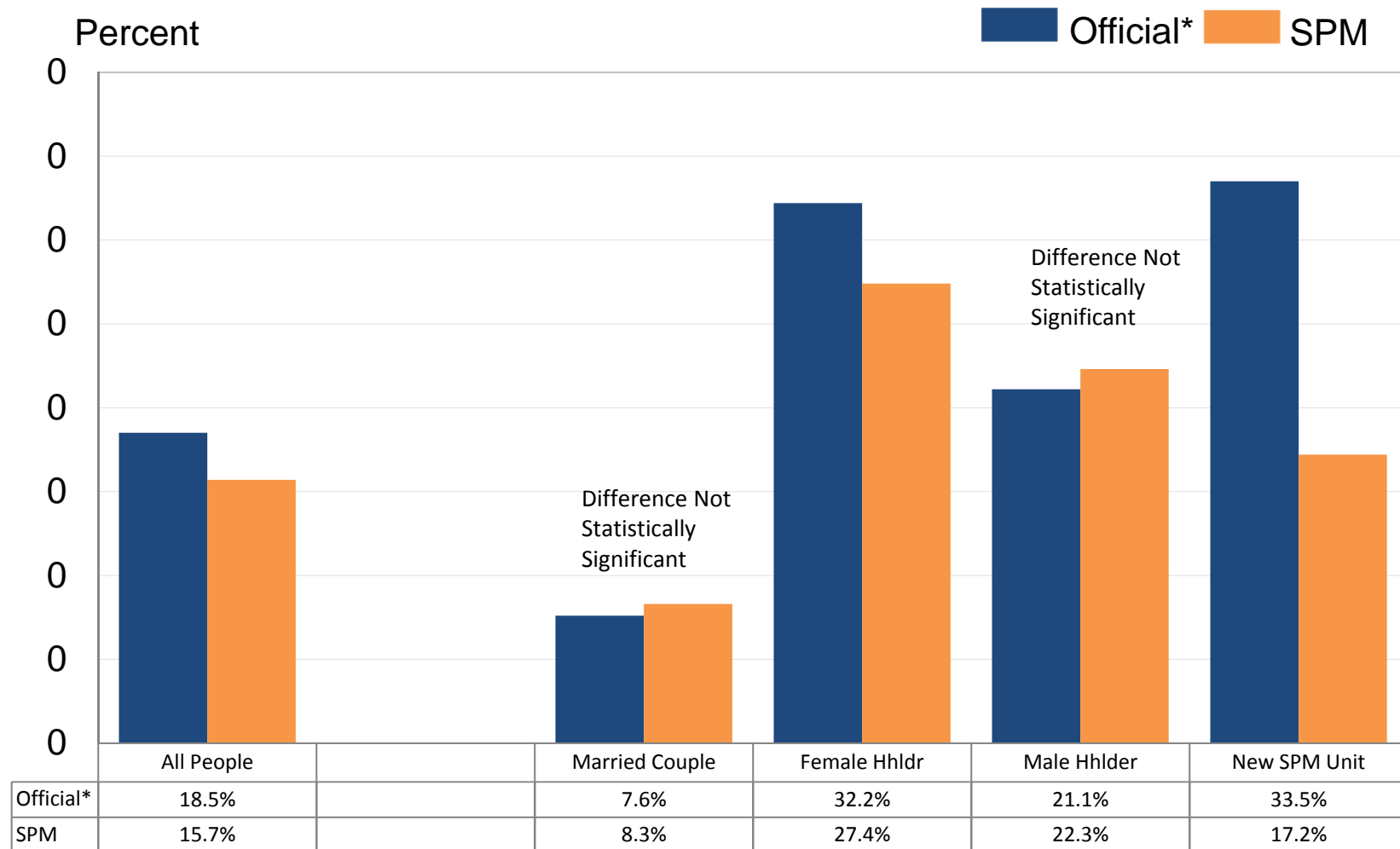




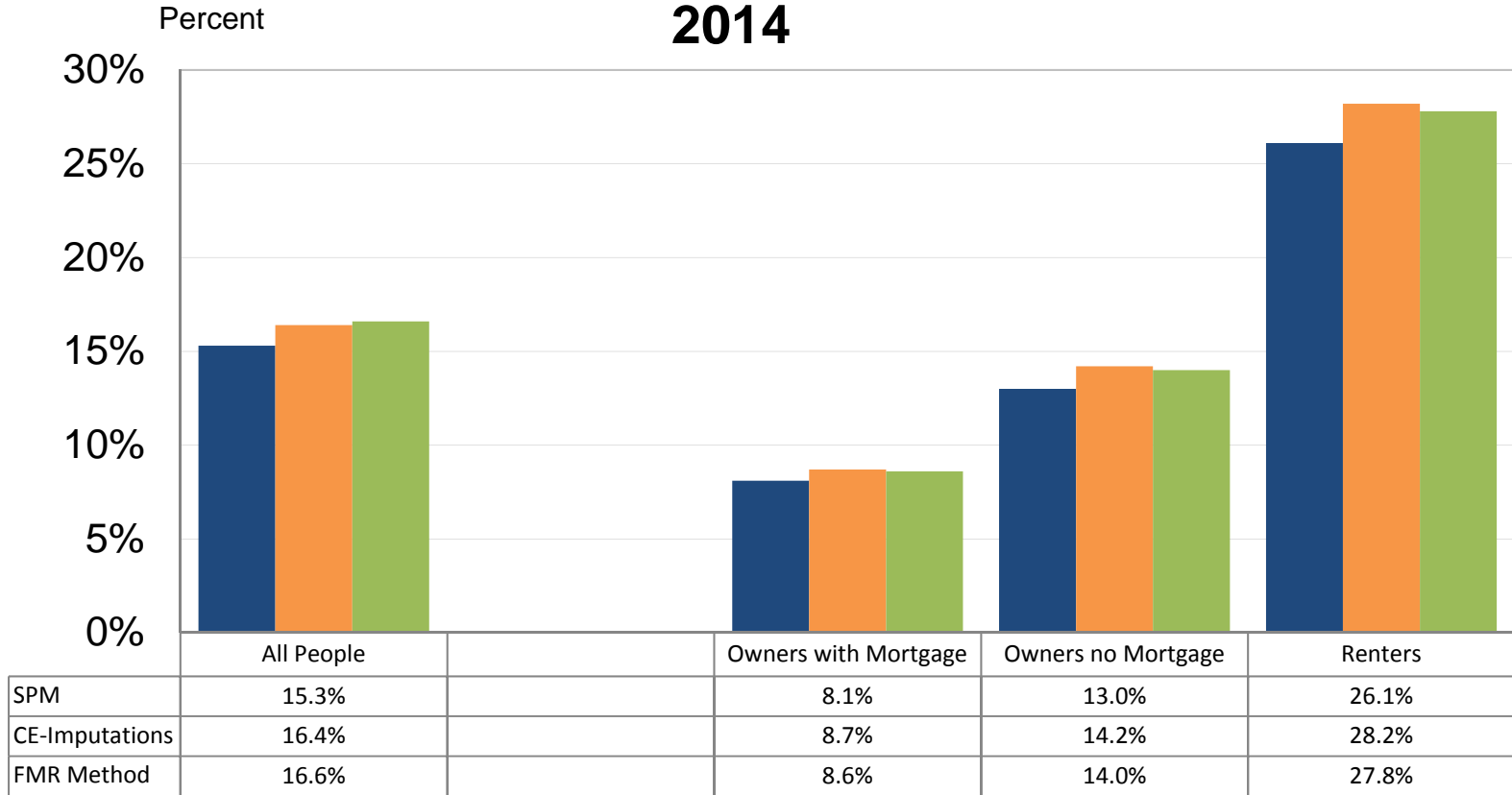
# Comparison of SPM and Official Poverty Estimates by Resource Unit Type: 2015, nonhispanic Asian



# Comparison of SPM and Official Poverty Estimates by Resource Unit Type: 2015, nonhispanic “other” race



# Comparison of Poverty Rates Using Alternative SPM Thresholds: 2014



\*Source: U.S. Census Bureau, Current Population Survey, 2015 Annual Social and Economic Supplement.  
[www.census.gov/library/publications/2015/demo/p60-254.html](http://www.census.gov/library/publications/2015/demo/p60-254.html)